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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

S72-2238

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-4234

VACATION SPA RESORTS, INC.
(Exact name of registrant as specified in its charter)

Tennessee	62-0790587
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4310 Paradise Road, Las Vegas, Nevada 89109
(Address of principal executive offices)
(Zip Code)

(702) 737-3700
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of July 2, 1992, 17,396,185 shares of Registrant's common stock were outstanding.

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VACATION SPA RESORTS, INC. AND SUBSIDIARIES

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VACATION SPA RESORTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of dollars)

	May 31, 1992 (Unaudited)	August 31, 1991 (Audited)
ASSETS		
Cash and cash equivalents	$ 795	$ 705
Contracts and notes receivable, net of allowance for cancellation of $4,974 and $4,731 at May 31, 1992 and August 31, 1991, respectively	23,347	22,443
Timeshare interests and lots held for sale	2,120	3,268
Property and equipment, at cost, net of accumulated depreciation of $1,031 and $992 at May 31, 1992 and August 31, 1991, respectively	125	477
Receivable from parent company	5,658	2,937
Deposits, deferred selling costs and other assets	1,218	882
TOTAL ASSETS	$ 33,263	$ 30,712
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Notes and contracts payable	$ 15,450	$ 14,462
Accounts payable and accrued liabilities	1,141	912
Total liabilities	16,591	15,374
Shareholders' equity:		
Preferred stock, liquidation preference of $7,766 at May 31, 1992 and August 31, 1991	8	8
Common stock, $.10 par value; Authorized - 60,000,000 shares		
Issued - 17,458,098 shares	1,746	1,746
Additional paid in capital	7,734	7,734
Retained earnings	7,209	5,875
Less treasury stock, 61,913 shares, at cost	(25)	(25)
Total shareholders' equity	16,672	15,338
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 33,263	$ 30,712

See accompanying notes to the condensed consolidated financial statements.

VACATION SPA RESORTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands of dollars except for per share data)
(Unaudited)

	Three months ended		Nine months ended	
	May 31, 1992	May 31, 1991	May 31, 1992	May 31, 1991
REVENUES				
Timeshare interest sales, net of provision for cancellation of $448 and $395 for the three months ended May 31, 1992 and 1991, respectively, and $2,341 and $1,606 for the nine months ended May 31, 1992 and 1991, respectively	$ 3,014	$ 4,050	$ 10,403	$ 10,902
Retail lot sales, net of provision for cancellation of $90 and $59 for the three months ended May 31, 1992 and 1991, respectively, and $89 and $133 for the nine months ended May 31, 1992 and 1991, respectively	84	445	181	835
Interest income	946	821	2,738	2,335
Other income	77	50	168	118
Total revenues	4,121	5,366	13,490	14,190
COSTS AND EXPENSES				
Direct costs				
Timeshare interest sales	516	592	1,751	1,581
Retail lot sales	34	146	80	257
Commissions and selling	1,468	2,673	5,242	5,988
Depreciation	17	20	59	55
Interest	351	398	1,103	1,217
General and administrative	808	694	2,438	2,206
Total costs and expenses	3,194	4,523	10,673	11,304
INCOME BEFORE INCOME TAXES	927	843	2,817	2,886
INCOME TAX EXPENSE	315	287	958	981
NET INCOME	612	556	1,859	1,905
CUMULATIVE PREFERRED STOCK DIVIDENDS	175	175	525	525
NET INCOME APPLICABLE TO COMMON STOCK	$ 437	$ 381	$ 1,334	$ 1,380
EARNINGS PER COMMON SHARE:	$ .03	$ .02	$ .08	$ .08
Weighted average number of common shares and common share equivalents outstanding	17,396,185	17,396,185	17,396,185	17,396,185

See accompanying notes to the condensed consolidated financial statements.

VACATION SPA RESORTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of dollars)
(Unaudited)

	Nine months ended	
	May 31, 1992	May 31, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,859	$ 1,905
Adjustments to reconcile net income to cash:		
Provision for cancellation	2,430	1,739
Cost of sales	1,831	1,838
Depreciation and amortization	59	55
Income taxes to parent company	958	981
Changes in operating assets and liabilities:		
Increase in contracts and notes receivable, net	(3,334)	(4,299)
Increase in accounts payable and accrued liabilities	229	334
Purchase of timeshare interests and lots	(683)	(549)
Increase in other assets	(336)	(323)
Total adjustments	1,154	(224)
Net cash provided by operating activities	3,013	1,681
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to parent company, net	(3,679)	(1,904)
Increase in debt	988	1,043
Dividends paid on preferred stock	(525)	(525)
Net cash used in financing activities	(3,216)	(1,386)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchase) of property and equipment	293	(212)
Net cash provided by (used in) investing activities	293	(212)
NET INCREASE IN CASH AND CASH EQUIVALENTS	90	83
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	705	1,161
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 795	$ 1,244

See accompanying notes to the condensed consolidated financial statements.

VACATION SPA RESORTS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1) In the opinion of management, when read in conjunction with the audited consolidated financial statements for the years ended August 31, 1991 and 1990, the accompanying unaudited condensed consolidated financial statements contain all the information necessary to present fairly the financial position of Vacation Spa Resorts, Inc. ("VSR") and Subsidiaries (collectively, the "Registrant") at May 31, 1992, and the results of its operations and cash flows for the nine months ended May 31, 1992, and 1991.

All significant intercompany accounts between VSR and its subsidiaries have been eliminated.

2) Earnings per common share have been calculated after deducting the quarterly preferred stock dividend requirement of $175,000 and are based on the weighted average number of shares of common stock outstanding.

3) The results for the three and nine month period ended May 31, 1992, are not necessarily indicative of the actual results for the year ending August 31, 1992.

VACATION SPA RESORTS, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Three Months Ended May 31, 1992 Compared to the Three Months Ended May 31, 1991.

Gross sales for the periods being compared decreased $1,313,000 to $3,636,000 from $4,949,000, a decrease of 27%. Management believes that gross sales decreased in the current period as a result of a significant decrease in inventory of timeshare interests available for sale at the Grand Flamingo in Las Vegas. Management is acquiring additional timeshare interests, which will become available for sale in fiscal 1993, and anticipates an increase in gross sales will occur when this inventory becomes available. Net sales decreased $1,397,000 to $3,098,000 from $4,495,000, a decrease of 31%. The provision for cancellation increased $84,000 during the period ended May 31, 1992 as compared to the period ended May 28, 1991.

Direct costs of sales decreased $188,000 to $550,000 from $738,000 primarily as a result of decreased sales, while maintaining cost of sales at 15% of gross sales in each period.

Commissions and selling expenses decreased $1,205,000 to $1,468,000 (40% of gross sales) from $2,673,000 (54% of gross sales).

Management believes that sales, costs of sales, and commissions and selling expenses may decline until the additional inventory of timeshare interests mentioned above become available for sale, and accordingly, this period may not be necessarily representative of future results. Management has been and continues to make substantial changes to various sales and marketing programs which may cause sales volume to increase and may cause costs of sales and commissions and selling expenses to vary as a percentage of gross sales.

Interest income increased $125,000 as a result of interest earned on increases in Contracts and notes receivable and the Receivable from parent company. Interest expense decreased $47,000 as a result of lower borrowing costs, resulting in a net increase of $172,000 in the "spread", or excess of interest income over expense. Interest income as a multiple of interest expense increased to 2.70 from 2.06.

General and administrative expenses increased by $114,000 to $808,000 from $694,000. The increase occurred primarily as a result of a $47,000 increase in management fees paid to its parent, Preferred Equities Corporation ("PEC") pursuant to a management agreement, and increased credit card costs attributable to increased customer usage of credit cards for monthly payments.

The foregoing factors caused income before income taxes to increase $84,000 to $927,000 for the three months ended May 31, 1992, from $843,000 for the three months ended May 31, 1991, an increase of 10%. Income tax expense is computed at the effective tax rate of 34% (the statutory rate) and is paid to PEC as part of a tax sharing arrangement.

LIQUIDITY

During the three months ended May 31, 1992, the Registrant provided $1,202,000 in cash from operating activities, which was an average of approximately $401,000 per month compared to the three months ended May 31, 1991, in which $542,000 in cash from operating activities was provided, which was an average of approximately $181,000 per month.

The Registrant must obtain sources of funds, whether from the Registrant's existing assets or from external sources, to cover the cash shortfall that is created as a result of commissions and selling expenses often exceeding down payments received by the Registrant from its customers. In addition to the cash shortfall, the Registrant must recover its product costs, pay its general and administrative expenses, purchase and replace equipment and make interest and principal payments toward its debt. During the three months ended May 31, 1992, the cash shortfall and other cash needs were financed from borrowings on lines of credit, collections, including interest, on receivables produced by sales made in current and prior periods, down payments made on new sales, and cash balances. During the three months ended May 31, 1992, the Registrant's borrowings under its lines of credit increased $279,000 to an aggregate of $15,325,000. Available lines of credit are to support future sales, and the related cash shortfall, for existing projects. At May 31, 1992, the Registrant had two lines of credit, not to exceed $25,076,000 in the aggregate, secured by timeshare receivables. Under these lines, the Registrant and its parent company, PEC, share lines of credit of $26,000,000 from financial institutions, which provide jointly, for the availability of these lines of credit. At May 31, 1992, PEC had borrowed $3,656,000 against these lines and the Registrant had borrowed $15,325,000. At May 31, 1992, the Registrant had unused lines of credit of approximately $9,751,000 available. The Registrant continues to seek additional lines of credit and increases or more favorable terms in its existing lines of credit. Set forth below is a schedule of the cash shortfall arising from recognized and unrecognized sales for:

	Three months ended (in thousands of dollars)	
	May 31, 1992	May 31, 1991
Commissions and selling expenses attributable to recognized and unrecognized sales	$ 1,435	$ 2,491
Less: down payments	919	1,263
Cash shortfall	$ 516	$ 1,228

Liquidity demands may be met through new borrowings, increased down payments, the sale of receivables, the offer to customers of cash discounts or other incentives for prepayments of their receivable balances, voluntary reduction in sales volume, or by one or more of these five strategies.

PART II

Item 1. Legal Proceedings.

No reportable events occurred during the three month period ended May 31, 1992.

Item 4. Submission of Matters to a Vote of Security-Holders.

On May 27, 1992, an Annual Meeting of Shareholders was held at which time all nominees for Director were elected. At the same meeting the appointment of Deloitte & Touche as the Registrant's independent certified public accountants was approved.

Item 5. Other Information.

On July 2, 1992, VSR's Board of Directors ("Board") approved a proposed merger transaction pursuant to which VSR would be merged into PEC, which presently owns 80% of VSR's outstanding Common Stock and which is a wholly-owned subsidiary of Mego Financial Corp. ("Mego"). Under the terms of the proposal, the VSR shareholders (other than PEC), who now hold 3,479,237 shares, would receive one-quarter of a share of Mego Common Stock for each share of VSR Common Stock. Mego's Common Stock is listed on NASDAQ and the Boston Stock Exchange. The proposed merger will be submitted to a vote of VSR's shareholders. Pursuant to the terms of the proposed merger agreement, PEC will vote its shares to approve the merger, but in the event shareholders of VSR holding more than 150,000 shares in the aggregate ask for dissenters' "appraisal rights", PEC may elect not to effect the merger.

Prior to approving the proposed merger, the Board retained the services of an independent investment banking firm (the "Advisor") to act as financial advisor to the Board to render an opinion as to the fairness of the proposed merger to the VSR shareholders other than PEC. The Advisor issued its opinion to the Board that the proposed merger is fair. In reaching its conclusion the Advisor had considered, among other things, certain information as to estimated current realizable values of Mego's assets and liabilities that would result in a higher than recognized book value of Mego, for the purpose of evaluating the book values of Mego Common Stock and VSR Common Stock on a comparable basis.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VACATION SPA RESORTS, INC.

By: _____
Irving J. Steinberg
Chief Accounting Officer

Date: July 14, 1992